THE BRITISH COAL INDUSTRY AND THE QUESTION OF NATIONALIZATION

SUMMARY

I. Introductory

It is rather more than a year since the distinguished judge who presided over the British Coal Industry Commission surprised the public by recommending that the coal mines of Great Britain should be transferred to the ownership of the state. In the interval which has since elapsed, "nationalization," clothed with all the splendor and terrors of a policy which few either of its opponents or defenders have precisely defined, has become a watchword of almost mystical significance, and the question of policy has aroused too rough a sea for the timid bark of scientific inquiry to put out of port. The storm was to be expected. When interests so large and so sensitive are concerned, when the precedents which may be created are so far-reaching, no recommendations which are not nicely trimmed to catch the wind can hope to find a smooth passage. Nor is it for one who was compelled

to see continuously and at first hand the complexities of the problem to feel any surprise that others should come to conclusions different from his own, or any regret that they should express them with all the emphasis at their command.

He may be permitted, however, to think it unfortunate that the issues raised should have been discussed from every angle but that of the student. After all, it is by the addition that it makes to knowledge that such an investigation as that conducted by the Coal Commission has, in the long run, its greatest effect. Whatever may be thought of the findings of the Commission, most candid observers will admit that the three bulky volumes in which its proceedings are contained possess from the point of view of the inquirer two merits. In the first place, they give the most exhaustive analysis hitherto offered of the economic and social conditions in what is, in some fundamental respects, the most important of British industries. The evidence of Sir Arthur Lowes Dickinson, Dr. Stamp, Sir Ernest Clark, and Sir Richard Redmayne—to mention only four out of a long list of official witnesses—gives a concrete and quantitative picture of the working of the industry, the capital invested, the profits earned and royalties paid, the movements of wages, output of coal and prices, the various elements of cost which together make up the price to the consumer, the organization of the industry from the pioneer company which bores for coal to the trolleyman who delivers it to a household in the east end of London, such as is available for hardly any other industry.

In the second place, the effect of the Commission's inquiries, and, still more, of the chairman's report, has been to bring certain large proposals out of the realm of abstract generalities and to reduce them to a series

of concrete propositions with regard to which some intelligent judgment can be formed. "Nationalization," "public ownership," "individual enterprise," "workers' control," "industrial democracy" — these are phrases out of which controversialists appear able to construct either heaven or hell. But the first condition of reasonable discussion is that it should be known exactly what, whether good or bad, their significance is. That task, at any rate, the Coal Industry Commission, with all its shortcomings, did accomplish. When it began its labors, "nationalization" and "private enterprise" could still be discussed as though each stood for one type of organization and one alone. As the inquiry proceeded it became evident that the possibilities were too complex and various to be summarized under these abstract antitheses. On the one hand, assuming that the private ownership of mines were retained, it was necessary to consider whether it should be as unrestricted as in 1914, or limited, as during the war, by the supervision of a Public Department, or transferred (as Sir Arthur Duckham proposed) from the numerous individual companies existing today to a few large statutory corporations — to ask, in short, *how much* private ownership? and private ownership of *what kind?* On the other hand, if it appeared expedient that the ownership of the mines should be vested in the state, it was still necessary to decide upon what system they should be administered. Directly that question was raised, it became apparent that the public ownership of mines was compatible with a considerable variety of schemes of management. So far indeed was "nationalization" from being a self-explanatory formula that at least half a dozen different systems of administration were submitted in evidence to the Commission. Management might be centralized or decentralized. The

constitution of the industry might be "unitary" or "federal." The authorities to whom it was entrusted might be composed predominantly of consumers, or of the working *personnel*, or of state officials, or of all three in different proportions. Executive work might be placed in the hands of the ordinary civil service, or a new service might be created, with its own rules of training, recruitment, promotion and procedure. The industry might be subject to Treasury control, or it might be financially autonomous.

To discuss the relative advantages of private ownership and nationalization, without defining what particular type of each is the subject of reference, is today as unhelpful as to approach a modern political problem in terms of the Aristotelian classification of constitutions. Not the least of the merits of Mr. Justice Sankey's report was that, by stating in great detail the type of organization which he recommended for the coal industry, he imported a new precision and reality into the whole discussion. Whether his particular conclusions are accepted or not, it is from the basis of clearly defined proposals such as his that the future discussion must start. The abstract dialectics as to "enterprise," "initiative," "bureaucracy," "red tape," "democratic control," "public service" which during the last year have filled the press, and of which some writers who should have known better have not been wholly innocent, really belong to the dark ages of economic thought. The task of economists, whatever their personal views as to policy, is to restore sanity by insisting that, instead of the argument being conducted with the counters of a highly inflated and rapidly depreciating verbal currency, the exact situation, in so far as is possible, shall be stated as it is; uncertainties (of which there are many) shall be treated as uncertain;

and the precise meaning of alternative proposals shall be strictly defined. They may not find a solution. They will at least do something to create the temper in which alone a reasonable solution can be sought.

II. The Organization of the Industry

(a) *Before the War*

Judged merely by the magnitude of its operations, the number of workers employed, the value of the output produced, and the amount of capital invested, the coal industry has been for the last thirty years the most important of British industries except agriculture. Judged by its place in the economic life of the community, and by the dependence upon it, not only of the comfort, but of the whole industrial activity of the nation, it is easily the most important of all. Under the industrial system which has grown up in the last century and a quarter, coal is quite literally the foundation of British wealth. It is the magnet which draws raw materials from the ends of the earth, the raw material which enters into the cost of every manufacture, and the export which, by saving ships from going out in ballast, cheapens imports and contributes to the expansion of British shipping.

To understand the problem with which the Commission was faced it is necessary to know in outline how this great industry is at present carried on. The proved coal resources of the country, in seams of one foot and more in thickness, were stated by the Commission which reported in 1905 to be 100,914,000,000 tons above the depth of 4,000 feet, and 5,239,000,000 tons below the depth of 4,000 feet. They, or those of them which are worked, are the property of some

3,789 separate owners, including individuals, firms, and companies, the total income derived from them in royalties being £5,960,365. The minerals are leased by the owners to about 1,452 lessees — the "mine-owners" — of whom the most important are limited companies, and who work them through 3,129 coal mines situated in a dozen different coal fields and organized in 22 different districts. The capital invested in coal mines was estimated as £135,000,000 in 1914, and the number of shareholders as 37,316 in companies engaged in coal-mining only, and 94,723 in companies engaged in coal-mining and allied industries; figures which, however, in all probability contain numerous duplicates. The total number of workers engaged in the industry had grown rapidly in the twenty years preceding the war. From 1894–98 it averaged 680,800; in 1908, it was 972,232, and in 1914, 1,110,884. The increase in the total output of coal had been equally remarkable. From 1894–98 it averaged 195,500,000 tons; in 1908 it was 261,500,000 tons; in the five years from 1909–13 inclusive it averaged within a fraction of 270 million tons. At the same time, with the exhaustion of the more easily available coal and with the deeper workings thus made necessary, the output per worker had fallen: from 1894–98, it averaged 286 tons, from 1909–13, 257 tons. There is no foundation, of course, for the comparison sometimes made between the average output of a miner in Great Britain and that of a miner in the United States. One might as reasonably compare the timber produced in this country with that obtained from the virgin forests of America. In the United States much coal is still obtained from shallow workings. In Great Britain it must be laboriously won after elaborate engineering operations by men who not only descend as deep as

2000 to 3000 feet below the surface, but who, when they are underground, must walk one, two, or even three miles to reach the coal face.

What becomes of the coal when it is raised? About 6 per cent is consumed by the collieries themselves. The remainder is carried in small consignments and almost entirely by rail (for the canal and the coasting traffic are insignificant) to the principal distributing centers, in some 1,400,000 to 1,500,000 wagons, of which 800,000 are estimated to be the property of the railway companies, and the remaining 600,000 to 700,000 the property of more than a thousand separate collieries and merchants, each of whom reserves its own trucks for its own use. On reaching the distributing centers, the coal is allocated to one of three main uses. Of the 287,430,000 tons raised in 1913, 73,400,000 tons were used for bunker or for export, and 214,030,000 tons were consumed in this country, of which rather more than three-quarters were used for industrial purposes, and rather less than a quarter went to supply the needs of the householder. Before, however, coal used for domestic consumption reaches the actual consumer, it passes through the hands of a series of agencies. Thus, of the 8,000,000 tons annually consumed in London (if the London County Council, coöperative societies, hospitals, and other public purchasers are omitted) a good part is (*a*) sold by the colliery to a factor; (*b*) sold by the factor to a merchant; (*c*) sold by the merchant to the consumer, or in some cases to a dealer, who sells it to the consumer. Not all these stages are gone through in every case. The distributive agencies are, however, very numerous. According to the evidence supplied to the Coal Industry Commission, the number of factors in the country is approximately 1500, and the number of retail distributors 27,000 to 28,000.

The system in operation before the war, then, was one under which some 1500 companies got about 270,000,000 tons of coal from some 3200 pits and sold it to numerous distributors for the best price they could get, while the distributors in turn sold it to each other or to the consumer and charged what price they could extract by the higgling of the market. Competition between colliery companies was probably as free as it ever is between any producers, and freer than it is between most. Various attempts at combination had been made in the past, in order to eliminate waste and maintain prices. Prior to the war, as at the present day, local rings of colliery companies settled the price to be charged from time to time in particular markets, so as to avoid underselling each other; there were agreements, formal or informal, between merchants; some markets were dominated with greater or less completeness by a few large distributors; and, of course, as far as questions of wages and conditions of labor were concerned, the mine owners were strongly organized in their local associations, and in the Mining Association of Great Britain. But tho particular combines had been established, all the plans for comprehensive amalgamation, whether by districts or nationally, which had from time to time been mooted, had broken down. In not a few cases, indeed, even the most obvious and essential schemes of coöperation, with regard for example to the drainage of water-logged areas, had been frustrated.

(b) *Control during the War*

On this system came the war, and the war brought the coal industry, as it brought other industries, into a new relation to the state. The principal legislation affecting it has in the past consisted of (*a*) the Coal

Mines' Regulation Acts, of which the first was passed in 1842 and the last in 1911, and which were concerned mainly with safety; (*b*) the so-called Miners' Eight Hours Act of 1908; (*c*) the Miners' Minimum Wage Act of 1912. From 1915 onwards, the whole position was changed. A new system of regulation was introduced, which had as its objects (*a*) to secure the maintenance and increase of the output of coal, which was threatened by the immense scale on which the mineworkers enlisted, (*b*) to control the export of coal, partly for economic, partly for political and diplomatic reasons, (*c*) to protect the home consumer against famine prices, (*d*) to secure the most economical distribution of coal between different parts of the country, (*e*) to prevent the interruption of the industry by disputes, (*f*) to keep the less remunerative collieries at work by subsidizing them from a levy imposed on the remainder.

The system of control did not reach its final form until 1918. Then a "profits standard" was fixed for each undertaking, not based, as might have been expected, on its *average* profits, but (at the option of the mine owner) on either the *best* two out of three, or on the *best* four out of six, of the years before the war; the mine owner retaining the right to substitute, if he thought fit, a profit of 9 per cent. These profits were guaranteed by the state, subject to proportionate reductions for reduced output. The excess was subject to two deductions, (*a*) the Excess Profits Duty, which amounted to 50 per cent in 1915, 60 per cent in 1916, and 80 per cent in 1917; (*b*) a deduction of 15 per cent, from the profits of collieries making above the "profits standard," to be paid to collieries falling below it. In 1914, therefore, collieries retained all their excess profits, in 1915, 50 per cent; in 1916, 40 per

cent; in 1917, 20 per cent; and in 1918, 5 per cent. The "pooling" of profits, of which more will be said below, was thus to a slight extent adopted.

Five per cent may seem a small "excess" to be retained by the coal owners. But that figure does not tell the whole story. The "profit-standard" was set at an extremely generous level. The years immediately preceding the war, on which the standard was based, were abnormally prosperous; the choice given to the mine owner of the basis enabled him to select that most favorable to himself; while even of the sum taken from him part went, not to the public, but to protect other mine owners against loss. Nor must it be forgotten that prior to 1918 a much larger proportion of the excess profits than five per cent was left to the coal owners. It is not surprising, therefore, that the shareholders in coal mines should have reaped a golden harvest during the war. In the five years up to and including 1913, profits (exclusive of royalties) averaged £13,100,000. The standard fixed by allowing the mine owners to retain the profits, not of the average but of the most favorable, years before the war, was actually, as the government has recently told the House of Commons, £22,000,000, and they paid the excess profits duty, not on the sum by which the war profits exceeded the average pre-war profits, but on the amount by which they exceeded the standard of £22,000,000. In 1914, when there was no excess profits duty, profits (exclusive of royalties) were £15,500,000. In 1915, when the excess profits duty was 60 per cent, they were actually £37,800,000.

III. The Alleged Waste and Extravagance of the Existing System

It was this system, private enterprise as modified by a somewhat hastily created superstructure of control, which came under the review of the Coal Industry Commission. The occasion of its appointment was a demand by the Miners' Federation for a 30 per cent advance in earnings (exclusive of the 3*s.* war wage), for the substitution of the word "six" for the word "eight" in the so-called "eight-hours" act of 1908, and for the nationalization of mines and minerals. Appointed under an act of Parliament which conferred unusually wide powers, the Commission consisted of a judge of the High Court, Mr. Justice Sankey, as chairman, three mine owners, three miners, three business men not directly connected with the mining industry, and three economists. On March 20, 1919, it produced its reports on wages and hours. That of the chairman and of the three business men who signed it with him declared that "even on the evidence already given the present system of ownership and working in the coal industry stands condemned, and some other system must be substituted for it, either nationalization or a method of unification by national purchase and/or joint control"; it recommended an advance in wages of 2*s.* per shift for adults and 1*s.* per shift for boys, the substitution of the word "seven" for the word "eight" in the act of 1908, and a further reduction of hours to six after July 13, 1921, "subject to the economic position of the industry at the end of the year." The three mine owners recommended an advance of wages by 1*s.* 6*d.* per day for adults and 9*d.* for boys, and a reduction of hours to seven. The six other members of the Commission re-

ported in favor of granting the miners' demands, and argued that, were the production and distribution of coal more effectively organized, this concession need not entail any additional burden on the consumer. The reports on the question of nationalization appeared on June 20. Mr. Justice Sankey recommended that mines and minerals be acquired by the state, and accompanied his proposal with a carefully worked out scheme of decentralized administration. With this report six other members of the Commission, the three miners and three economists, expressed general agreement. Sir Arthur Duckham presented a separate report, advising the acquisition of minerals by the state and the unification of mines in the hands of large statutory coal corporations. The three mine owners and two business men recommended the nationalization of minerals, but were opposed to either the nationalization or the unification of mines. Their proposal was, in essence, the application to the coal industry of a scheme of "Whitley Councils."

Since the appointment of the Commission, tho not demanded by the miners, was made as a result of claims which they had advanced, it is not unnatural that the reader who is familiar with its proceedings only through the press and has not read the evidence submitted to it, should assume that Mr. Justice Sankey's report was inspired principally by a desire to avert a serious industrial conflict by conceding the substance of the miners' contentions. That view is based on a mistaken impression of what actually occurred. No doubt the wishes of the miners with regard to the future of their profession are a factor of primary importance in reaching a conclusion as to policy. One cannot achieve efficiency by imposing upon them, any more than upon doctors, university

teachers, or any other body of professional men a form of organization which does not command their confidence. But, tho their views are an important element, they are only one element, in a problem which affects the whole community. Nor was it evidence submitted by the miners which occupied the greater part of the time of the Commission, or which made the deepest impression upon its members, instructive tho much of it was. What actually happened was what might have been forseen. The Commission started to find out what were the grounds (if any) for conceding or rejecting the miners' demands as to wages and hours, and what the effect of their decision was likely to be on the coal industry, the industries dependent upon it, and the household consumers. To answer those questions it had necessarily to obtain much information as to the existing organization both of the extractive and distributive side of the industry, the cost of getting, transporting and distributing coal, and the existing level of wages, royalties and profits. Indeed, out of the 414 pages which form the first volume of the minutes of evidence, the first 114 consist of statements largely financial and statistical, on questions of fact obtained from officials like Sir Arthur Lowes Dickinson of the Coal Controllers' Department, and Dr. Stamp, assistant secretary to the Board of Inland Revenue. Their evidence revealed defects in the conduct of the industry which, quite apart from the wishes of the miners, appeared to call on public grounds, and in particular for the sake of the consumer, for extensive reforms.

The two witnesses who, whether intentionally or not, did most to convince the chairman and the business men who signed his first report, that "the present system of ownership and working stands condemned," were Sir

Arthur Lowes Dickinson and Sir Richard Redmayne. The former is in private life a member of a well-known firm of chartered accountants; the latter was formerly a director and manager of collieries, then professor of mining at Birmingham, Chief Inspector of Mines under the Home Office and Chief Technical Adviser to the Coal Controller. The first point which emerged from the evidence of Sir Arthur Lowes Dickinson was a simple one. It was the suggestion that considerable financial extravagance was involved in allowing the differential profits of superior mines to pass into the pockets of private shareholders. This criticism was not directed merely or mainly against the mineral owners, who (with a few exceptions) perform no positive or constructive function in the industry. The private ownership of minerals (as distinct from mines) was, indeed, declared highly objectionable by several experts on account of its effect in causing coal to be wasted in barriers between separate properties, in preventing some coal from being worked altogether, and in obstructing the most economical planning and exploitation of the coal field. But the private ownership of the coal, tho highly important from a technical point of view, is financially a bagatelle. Tho some twelve proprietors appear to receive from royalties an income of over £50,000 a year each, the total revenue of the whole 3789 was in 1918 only £5,960,365. In fact, owing to the system on which minerals are leased, the main beneficiaries of the "rent" derived from working particularly rich or advantageously situated seams of coal are not the landlords who own the soil, but the colliery companies who own the mines.

A good deal of the evidence of Sir Arthur Lowes Dickinson was directed to explaining the significance of that surplus for the economics of the industry. It

appears to be considerable. The cost of getting coal varies greatly from pit to pit and from district to district. According to figures relating to the quarter ending September, 1918, out of 458 mines, 164 produced at a cost (including royalties, wages, and bonus) of between 12*s.* 6*d.* and 20*s.* per ton, 211 at a cost of between 20*s.* and 25*s.*, and the remaining 83 at a cost ranging from 25*s.* to (in one case) 49*s.* 6*d.* per ton. These differences are due in part, no doubt, to differences of management. But they are principally due to natural causes, the position and character of the seams, the presence or absence of faults and water, the proximity to or distance from railway centers and ports, and a hundred varying causes arising from circumstances quite independent of the character of the management. The price of coal must necessarily, however, be high enough to cover the cost of getting it under the least favorable conditions, or the weakest pits will close and the price will rise. The result is that the fortunate shareholders in the more favorably circumstanced collieries, which sell at the same price but produce at lower costs, receive a surplus, arising not from any special skill of management but from the fact that they have obtained access to specially profitable natural resources. A price which just enables pits in (say) the Forest of Dean to pay their way, brings a fortune to shareholders in (say) the Powell Duffryn Steam Coal Company, or in the Manvers Main, or in the Fife Coal Company. What this means is shown by the table on page 76. It will be observed that while 8 per cent of the output represented in this table was produced at a loss, more than 60 per cent — nearly two-thirds — was produced at a profit of 3*s.* per ton and over, and more than a quarter at a profit of over 5*s.* per ton.

Quarter Ending September 30, 1918

	Tonnage	Percentage of tonnage represented
Produced at a loss	3,119,939	8.0 per cent
Produced at a profit		
Under 1*s*. per ton	3,203,774	8.3 "
1*s*. to 3*s*. "	8,489,131	21.8 "
3*s*. to 5*s*. "	12,972,083	32.8 "
5*s*. to 7*s*. "	5,361,898	13.7 "
7*s*. to 9*s*. "	3,760,779	9.6 "
9*s*. to 12*s*. "	1,602,957	4.1 "
12*s*. to 16*s*. 6*d*. per ton ..	367,939	.9 "
	38,878,500	

The suggestion which was favored by the advocates of unification (whether with or without state ownership), and which commended itself apparently to Sir Arthur Lowes Dickinson, was that, with a centralized financial system, surpluses could be pooled, and could be used to level up the conditions in the more backward pits, to reduce the price of coal, and to improve the working conditions of the miner. Whether such a plan of using differential profits is economically expedient or not is a point which, it is to be hoped, will be fully discussed by economists. During the sittings of the Commission the financial wastefulness of private ownership was not seriously contested by the defenders of the present system. What is usually said on the other side, and what was said then, is that on the whole the stimulus which it offers to technical progress more than outweighs the loss arising from the payment of surplus profits to private individuals. That much enterprise, scientific knowledge and practical skill have gone to the development of the coal industry in the last half century is obvious, and it is not unnatural that to question the finality of its organization should seem to many of those who direct it an unpardonable impertinence. In fact, however, such an attitude, however

excusable, implies a misreading of the problem. The question is not merely whether individuals have been intelligent and enterprising (which no one disputes) but whether the system within which they work, and which as individuals they cannot alter, is such as to make the best use of their intelligence and to direct their enterprise to the greatest public advantage.

The testimony of Sir Richard Redmayne is weighty. "In my opinion," he said, "the present system of individual ownership of collieries is extravagant and wasteful. That is a somewhat daring statement, but I am prepared to stand by it, whether viewed from the point of view of the coal-mining industry as a whole, or from the national point of view; and I think by thoughtful persons on both sides, both the owners and the workmen, that is pretty generally accepted." The general effect of his evidence, which in the judgment of the writer was not seriously shaken in cross-examination, was to give a picture of individual efficiency hampered, and occasionally stultified, by a cumbrous and antiquated system of organization. Apart from the loss of coal left in barriers, amounting, as he informed the Commission, to between 3500 and 4000 million tons, "much of which would be recoverable under a system of collective working of collieries," there is the not less serious fact that in the actual getting and delivery of coal the cost is increased at every turn, because collieries are managed as little self-contained republics instead of as parts of one organization having for its object the effective service of the public. Collieries buy their materials separately. Collieries arrange separately for the freightage of their coal. Collieries are sometimes drowned out because they will not combine for purposes of drainage. The more backward collieries cannot raise capital to im-

prove their equipment, while their more fortunate competitors are distributing to their shareholders large dividends, part of which under a unified system could be used to raise the standard of production in the more backward mines and thus reduce prices to the consumer. While the average colliery consumption throughout the country is apparently 6 per cent, it varies from 3 per cent at one colliery to 10 per cent at another. Tho the variation is partly due to natural causes, "there is a large possible saving at some collieries, but that again necessitates considerable expenditure of capital, and some of the poorer mines have not the capital to expend." There is waste of ability and scientific knowledge, which could be saved if the unit of organization were widened to include all the collieries in a district, and (for certain purposes) all the collieries in the country. There is waste arising from the irregularity of work, which is inevitable as long as each colliery is owned and worked as an independent unit, but which could be mitigated were work allotted to them on a unified plan, as it is allotted today to the constituent parts of a private combination. There is waste because separate ownership involves managerial and administrative expenses which, if ownership were unified, could be reduced.

For these deficiencies the consumer necessarily, it would seem, pays in a higher price for his coal. Nor ought the interests of the present generation to be the only consideration. Coal is the greatest single economic asset of the nation. Without it Great Britain would be what it was 200 years ago, a sparsely populated agricultural community. It is of the utmost importance that it should be worked in the most economical manner possible. To allow coal to be drowned out by water, to "cream" the pits by working only the

coal which is at present most profitable, to leave coal in barriers other than those which are necessary for technical reasons, to throw small coal into the "goaf"—these things ought to be regarded as a crime against posterity, which sooner or later must pay for them. But that can hardly be the point of view of private shareholders, who naturally desire the largest immediate return for their money. The result is that pits are "creamed," that instead of good and poor coal being brought out together, the latter is left in, and that millions of tons of small coal are wasted. As is shown by the reports, not of the Coal Commission, but of that highly respectable body, the Coal Conservation Committee, it is hardly an exaggeration to say that hitherto the principal source of British wealth has been worked as recklessly as tho, like rivers, coal deposits would be replenished from the clouds.

The defects of the present system are not confined to the extraction of coal. The movement of coal from producer to consumer, carried out, as it is, in comparatively small consignments by some 1,400,000 wagons, of which some 800,000 are owned by railways and 600,000 by mine owners and merchants, is the reverse of economical. "Half the mobile life of a privately owned wagon," the General Manager of the Midland Railway Company told the Commission, "is taken up in empty running." Were wagons pooled, another witness estimated, one-third less would be sufficient for the work. The Coal Transport Scheme initiated in 1916, by securing a carefully-planned instead of a haphazard system of transporting coal, is calculated to have saved 700,000,000 coal ton miles, or £3,250,000, equivalent to 3*d.* on the price of coal.

The price of coal to the consumer is further swollen by the profits of what appears to be an unnecessary

multitude of middlemen. In many cases it passed through three hands — the factors, of whom there are estimated to be about 1500; the distributing merchants, of whom there are said to be 27,000 to 28,000; and the dealers. In some cases, apparently, there are four hands. In the process, the price of coal in London is increased to double what it was on the pit bank, 25*s.*, 5*d.* as against 11*s.*, 6*d.* at pre-war prices, or (at the prices of August, 1918) 43*s.*, 6*d.* as against 23*s.*, 6*d.* At each stage costs are incurred and profits are made. The establishment charges alone of the firms engaged in distributing coal in London amount in the aggregate to some £800,000, and their total net profits to over £500,000 per annum. How wasteful such a system is has been suggested by the experience of the coöperative societies. According to evidence supplied to the Commission by the manager of the Coal Department of the English Coöperative Wholesale, coöperative societies are actually able, while selling coal at the same price as the private trader, to give back to the consumer a dividend of from 2*s.*, 6*d.*, to 5*s.* per ton, merely because they cut out intermediate links, and distribute the coal on a unified and, therefore, more economical system. If water were hawked from house to house in buckets by competing water merchants, water would be scarce and dear; and as long as the household consumer, especially the poor consumer, buys his coal from the last of a series of middlemen, he will continue to pay for it through the nose.

IV. The Claims of the Miners

To express in figures the waste which at present exists, and the saving which might be effected is, no doubt, impracticable. But, in view of the evidence of the ex-

perts, it is hardly possible to resist the conclusion that, in spite of the skill and enterprise showed by individual companies and managers, the present organization of the industry does not make the most economical use of the coal resources of the nation. The significance of that fact cannot be measured merely by the charges which it imposes directly on the consumer. It is intensified by the indirect effect which the consciousness of preventible waste produces among the mine workers. If every superfluous charge upon the production and distribution of coal had been eliminated, it would be reasonable to ask that the miners should set a much-needed example by refusing to extort better terms for themselves at the expense of the general public. But as long as unusually prosperous mines pay large dividends, and the industry, both on the productive and on the distributive side, is loaded with the costs of a system of organization which the most eminent official witness before the Commission stigmatized as "extravagant and wasteful," it is hardly to be expected that the mine workers will postpone claims which appear to them such as can be met, were the improvements suggested introduced, without imposing any additional burden on the community. To the reasonable request to "consider the consumer" they may, with equal reason, retort that they will do so when the consumer shows some consideration for himself by insisting on the removal of deficiencies which are now the commonplaces of the subject. Nor is it the case that miners' wages form so large a proportion of the selling price of coal that the economies possible on other items are negligible. An exact analysis of the items composing the cost of a ton of Derbyshire coal was given for March, 1919, by Sir Justice Sankey in the Appendix to his Interior Report.

	s.	d.
Cost at pit mouth of one ton of Derbyshire coal in March, 1919	21	2
Miners' wages included in above cost	13	5 or 63.3 %
Cost to household consumer in London	44	0
Miners' wages included as before	13	5 or 30.4 %

It will be seen that in March, 1919, mine workers' wages formed 30.4 per cent of the cost of household coal to the London consumer.

Moreover, the miners have their own grievances. It is not merely or mainly, in my judgment, a question of wages or hours. These things are, indeed, important. Up to the Sankey award, and even after it, earnings had not kept pace with the advance of retail prices;[1] nor must it be forgotten that the "Eight Hours Act" was an eight hours act only in name, since the maximum hours were exclusive of the time spent in raising and lowering the workers. Even under the seven-hour day introduced since the report of the Commission, the time spent underground will be on the average seven and one-half hours, and, in a minority of cases, between eight and nine hours.

Behind these plain questions of hours of work and wages, however, are the issues, in some way more difficult and in others more hopeful, of comfort and health in work, of safety, and of professional status. The thinking miner is persuaded that, given forethought and consideration on the part of the management, the disagreeableness of his necessarily arduous occupation might be considerably diminished. Instead of often being obliged to walk, sometimes without payment for

[1] In November, 1913 the average earnings of underground workers were 7*s.* 1*d.*, of surface workers 4*s.* 8*d.*, of all workers (including boys) 6*s.* 7*d.*

The average advance up to November, 1918, was, apparently, 89.7 per cent. The Sankey award brought the average earnings per shift up to 14*s.* 4.9*d.* an increase of 118 per cent over the average earnings of November, 1913. Between July, 1914, and December, 1919, the rise in retail prices appear to have been approximately 136 per cent.

walking time, for half an hour to an hour to and from the face up and down steep inclines, a task as laborious as work at the face itself, he might (wherever conditions permit it) be conveyed most of the way to his work, as in some pits he already is. He might be supplied (in addition to the ordinary safety lamps) with a hand electric lamp, which would at once diminish nystagmus and increase safety by facilitating a more thorough inspection of the roof. Pithead baths and changing facilities (at present introduced, it would appear, by only seven collieries) might be universally established, a reform upon which the independent persons best qualified to judge speak with no uncertain voice. "The provision . . . of baths and facilities for drying pit clothes on the pit head," stated Mr. Walker, the Acting Chief Inspector of Mines, before the Coal Commission, "is, I think, an urgent necessity, and would prove to be a great boon to mine workers, and improve greatly the conditions of their homes. The dirt inseparably connected with the miners' occupations should be left at the mine, and not taken into their houses. The health of the miners and their families, and the social conditions under which they live, would thereby be greatly improved."

And of course it is not only health which has to be considered. There is the graver question of accidents. How heavy a toll the miner pays is shown by the following figures:

	Fatal accidents	Persons injured and off work for more than 7 days
1913	1,753	176,868
1914	1,219	158,862
1907-16	12,400 (or 1,240 per year)	

On an average, therefore, the number of men killed each year is 1,240, or about an infantry battalion at full strength. The number injured and off work for

more than seven days is approximately 160,000. Nor is this all. It is often assumed that the majority of the casualties are trifling. But this is an error. "Roughly speaking," stated Dr. Shuffebotham, "there are 50,000 miners injured every year in such a way as to incapacitate them for work for between one and three months, while the number of injuries which cause incapacity between one and two weeks is extremely small, being about 8 per cent of the total. . . . The number of miners who are incapacitated each year and who have not recovered at the end of one year (i. e., who are incapacitated for 12 months or more) is something like 12,000 per annum." Nor, tho the proportion of accidents to output and numbers employed has decreased largely in the course of the last 50 years, does it appear to be decreasing now. The following table shows that for the last 10 years the accident rate has been almost stationary.

	Non-fatal accidents disabling persons for more than 7 days, per million tons of mineral raised	Death rate from accidents under and above ground, per million tons of mineral raised
1908	513.8	4.75
1909	549.9	5.23
1910	569.1	6.37
1911	581.1	4.42
1912	549.9	4.67
1913	585.6	5.81
1914	568.1	4.37

During the last 20 years, some 25,000 persons have been killed in the mines, and some three and a quarter million have been injured. It may readily be conceded that the miner's, like the sailor's, must always be a dangerous occupation; nor is it implied that there has been, at any rate in recent years, any culpable negligence on the part of the management. It will be recognized, however, that the special circumstances of the

mining industry are such as to enable the miners to put forward with peculiar cogency the claim to share through their representatives in the settlement of questions of administration which vitally concern not only their economic prosperity but their health and life itself.

V. Proposals for Reorganization

The problem of reorganizing the coal industry falls into three broad divisions, the ownership of minerals, the ownership and management of mines, and the distribution of coal. The first and third of these need not be discussed at length, since there is substantial agreement with regard to them. All the members of the Coal Commission, including the mine owners, proposed that the ownership of coal should be transferred to the state. All of them, including the mine owners, proposed that the distribution of coal should be undertaken by the local public authorities, with the object of bringing producer and consumer more closely into touch than at present and of eliminating some of the links in the chain of middlemen through whose hands the coal passes. The government has stated, indeed, that it intends to nationalize minerals. It is unfortunate that, before raising the price of coal, it should not have made any attempt to remedy the admitted extravagances of the existing system of distribution.

The crux of the problem, however, consists, of course, of the treatment of the mines. Four ways of handling it appear, in theory at any rate, to be possible. In the first place, an attempt may be made to revert to the conditions which obtained prior to August, 1914, sweeping away public control, putting nothing in its place except some scheme of "Whitley Councils" such as was proposed by the mine owners on the Commission,

and leaving the industry to be conducted by the self-interest of competing owners. In the second place, the present system of control might be continued, without any further change being introduced. In the third place, there are schemes for the unification of the industry in private hands, of which several have from time to time been advanced, the most recent and best known being that proposed by Sir Arthur Duckham. Fourthly, there is the policy of public ownership advanced by Mr. Justice Sankey, which again is compatible with more than one type of administration.

(a) *The Restoration of Private Enterprise*

The first alternative is open to all the criticisms brought by Sir Richard Redmayne against the present organization of the industry. It is not a solution of the problem, but an abandonment of it. Moreover, it is a course which has been made more difficult both by the developments which took place during the war and by the inquiries of the Coal Commission. On the one hand, the wages in the poorer districts have been leveled up, partly by means of the levy on the profits of those which are more prosperous. If that tentative and incomplete system of pooling is now abandoned, those districts, as their representatives impressed on the Commission, will be faced by greater difficulties than ever. A rise in price needed to enable them to pay their way will be a severe burden upon the consumer and will increase the surplus received by the shareholders in the more fortunately-situated collieries. On the other hand, the revelations of the Commission have, not unnaturally, increased the dissatisfaction of the miners. They have seen the industry stripped naked. They have heard their own criticisms sub-

stantiated, with a wealth of illustrative detail, by official experts. They can hardly now be expected to feel any very marked confidence in the wisdom with which it is administered. Obviously, in the absence of some reforms designed to meet the criticisms passed upon it and endorsed both by the chairman and by the three business men, other than mine owners, on the Commission, it is not to be supposed that the miners will throw themselves with enthusiasm into working a system which they believe to have been discredited.

(b) *The Continuance of Control*

Nor is the second alternative much more attractive. No doubt the mere continuance of the present system of government control is a possibility. But does any one really desire it? The mine owners do not; the miners do not either, tho they would prefer it to a reversion to pre-war conditions. The consumer received some protection from it during the war against exorbitant prices. But it may be doubted whether he is in love with an arrangement which apparently is unable to cope with the admitted deficiencies in the present organization of production and distribution. The truth appears to be that, tho necessary as a war measure, mere control has the merits neither of public ownership nor of private enterprise. It eliminates some of the advantages which used to be ascribed to competition, without securing those which (it has been suggested) are offered by co-operation. On the one hand, it removes, at least to some extent, the financial spur to initiative. On the other hand, it neither secures that the equipment of the pits is brought up to date after the inevitable deterioration caused by the war, nor introduces the "collective production" pleaded for by Sir Richard Redmayne,

nor insists upon the adoption of a more economical system of distribution. Not a single one of the reforms emphasized as essential before the Commission more than 12 months ago has, so far as is known, been introduced, and in the meantime prices have more than once been raised. "Control" tends, in short, to be negative and restrictive, when what is needed is something positive and constructive.

(c) *Unification under Private Management*

It is a realization of the difficulties involved in either of these proposals which has led, it is to be presumed, to the various schemes from time to time advanced for ending the individual ownership of mines without putting public ownership in its place. As long ago as 1893, Sir George Elliott, a prominent South Wales mine owner, urged the unification of the industry under public supervision. Sir Richard Redmayne, while declining to commit himself to nationalization, pleaded before the Coal Commission for what he called "collective production." It is understood that the Coal Controller's Department had been so gravely impressed with the necessity for some measure of unification, that even before the appointment of the Commission it had considered the possibility of merging all the existing interests in a single corporation. Sir Arthur Duckham, while expressing himself strongly against nationalization, declared that "the working of over 3,000 collieries by more than 1500 separate interests has resulted in heavy losses of coal and inefficient working," recommended the complete expropriation of the mine owners, and proposed to substitute for the present confusion the amalgamation of the collieries in each district into a single corporation, which would (*a*) be governed by a

board of seven directors, four to be elected by shareholders, two by miners, and one by managers and under-managers; (*b*) be guaranteed a dividend of 4 per cent by the state; (*c*) be allowed to pay 6 per cent, after which any further profits must be allocated in the proportion of two-thirds to reduce the price of coal and one-third to dividends.

Proposals of this general character are being advanced in more than one country and with reference to more than one industry. Sir Arthur Duckham's recommendations bear a family likeness to the Esch-Cummings Railroad Act. These schemes seem, in fact, to be the first reaction caused by the discovery that private enterprise, as hitherto understood, is not functioning as is desired. They possess certain merits. It is probable, for example, that, were the plan recommended by Sir Arthur Duckham adopted, the result would be to eliminate some of the wastes incidental to the present system. On the other hand, they appear to have certain drawbacks which require to be weighed before they are accepted as the best policy practicable. In the first place, it may be doubted whether Sir Arthur Duckham's proposals would remove or even seriously mitigate the whole body of difficulties which arise from friction between the miners and private owners. It might do so, for here again one is handling imponderables. But the miners themselves think it would not; and if it is the case that the essence of their claim is that the workers in the industry, whatever their grade, should be admitted to a partnership with the public, it is at least probable that they are right. More serious, perhaps, is the danger with which schemes of this kind would confront the consumer. What is suggested, is, in effect, the creation of some 15 to 20 gigantic coal corporations under public supervision.

There is considerable experience of the policy of private monopolies working under some system of state regulation. It was that adopted, for example, by British municipalities prior to the development of municipal enterprise in water, gas, trams, and electricity. The drawback to it is that, once these leviathans are brought into existence, they are apt to control the public more effectively than the public controls them, and that they meet attempts to clip their claws by passive obstruction or by some secret arrangement which cannot easily be prevented or exposed.

And after all, what are the advantages of private ownership, when it has been attenuated to the point proposed by Sir Arthur Duckham? Might not the mine owners legitimately meet his substitute for nationalization with the retort, "Thank you for nothing"? Private enterprise has its merits; so also, perhaps, has public ownership. But, by the time Sir Arthur has done with it, not much remains of "the simple and obvious system of natural liberty," while he is precluded from appealing to the motives which are stressed by advocates of nationalization. Private ownership, refined down to the extent which proposals of this order contemplate, carries with it little of what is normally valued in ownership and appears to be singularly devoid of privacy. It is one thing to be an entrepreneur with a world of adventure and unlimited profits — if they can be achieved! — before one. It is quite another to be a director of a coal corporation with a minimum rate of profit which is guaranteed and a maximum which cannot (except to a small extent) be exceeded. Hybrids are apt to be sterile. It may be questioned whether, in drawing the teeth of private capitalism, these schemes do not draw out most of its virtues.

(d) *Nationalization*

The word usually employed to describe proposals such as those advanced by Mr. Justice Sankey is nationalization. It is not a felicitous one. Quite apart from its liability to cut short blameless citizens by inducing premature apoplexy, it has the even more serious defect of confusing under one ambiguous title two problems, between which it is important to distinguish. The first is the problem of ownership; the second is the problem of administration. One cannot, it is true, decide on the former without having reached some provisional conclusion with regard to the latter. But when the question of ownership has been settled, the question of administration still remains for solution. The possible types of organization, if private ownership is terminated, are various, and the practical merits or demerits of nationalization depend largely upon which is selected. To assume, as is too often done in current controversy, that the model to which the organization of any nationalized industry must conform is that of the Post Office, is as reasonable as to regard the United States Steel Corporation or the Standard Oil Company as the grand pattern and exemplar of private enterprise. The truth is that, whether an industry is in public or private hands, it may be organized and managed on one or other of several different methods. Which is most suitable will depend partly upon the technical conditions of the particular industry under consideration, partly upon less easily definable matters of political and social habit and tradition. It would obviously be absurd to suggest the same administrative system for the coal industry as for the railways; nor is it likely that the organization which suited (say)

Prussia would be that best adapted to secure an efficient service in England or America.

These things are of course truisms. It is the more to be regretted that eulogy and criticism have tended during the past year — so low is the plane on which the controversy has been carried on — to be devoted to associations which the mere word "nationalization" awakens in the minds of different writers, instead of to the concrete administrative structure of which it is (or ought to be) the symbol, and which alone matters in practice. "Public service," "economy," "elimination of waste," "professional zeal" — the presence of these virtues will not be secured by public ownership, but only by public ownership so organized as to elicit them. "Red tape," "bureaucracy," "over-centralization," "the government stroke," "the civil service tradition" — these vices *may* accompany public ownership; whether they *will* or not, depends again upon whether the administrative system established is such as to encourage or to repress them. The realization of that elementary truth would be, it may be suggested, the beginning of wisdom, as well as — a not less happy consummation — the end of much eloquence. Unfortunately it appears to be the last to be apprehended. So the critics of nationalization attack it on the ground that state management is necessarily inefficient, and presumably tremble with apprehension whenever they post a letter. And the supporters of nationalization argue that state management is necessarily efficient, and are to be seen praising God whenever they use a telephone. Their arguments are eloquent, ingenious and sometimes even amusing. They have only one trifling defect. They assume as a thing simple and self-evident the type of organization to accompany public ownership, which is precisely the most complex

and important of the questions at issue. They are directed to the denunciation or advocacy of proposals which no one has advanced. One must not be hard on them: it is not reasonable to expect that controversialists should burn their arsenal of literature merely because it is no longer relevant. But neither must we be misled by them. And the truth is that, considered in relation to the scheme for the nationalization of the coal mines, set out in detail by Mr. Justice Sankey, they are as obsolete as the armaments of the Stone Age.

Mr. Justice Sankey's proposals (omitting all details) may be summarized briefly as follows: —

(1) That the state should purchase the collieries (including machinery, plant, buildings, stores, etc.), at a fair value.

(2) That the administration of the industry should be vested in the hands of:

(*a*) A Local Mining Council at each pit, the Council to consist of 10 members 4 elected by ballot of the workers at the pit, 3 appointed by the District Mining Council, together with the managers, under-manager, and commercial manager ex-officio. The manager "shall be responsible for the control, management, direction and safety of the mine." The Local Mining Council "shall meet fortnightly or oftener if need be, to advise the manager on all questions concerning the direction and safety of the mine."

(*b*) A District Mining Council in each district. They shall consist of a chairman and vice-chairman appointed by the Minister of Mines, and 12 other members, of whom 4 shall be elected by ballot of the workers, and 8 shall be appointed by the National Mining Council, as follows: —

4 to represent consumers, 2 the technical side of the industry (e. g., mining engineering), 2 the commercial side (e. g., purchase of material and sale of output.)

This District Mining Council shall have "the main executive responsibility of taking measures to secure the health and safety of the workmen and the production of coal in the District." The description of its powers is important: — "Subject to the direction of the Minister of Mines, the District Mining Council shall manage in its district the entire coal extraction, the regulation of output, the discontinuance of or the opening out of mines, trial sinkings, the control of prices and the basis of wage assessment and the distribution of coal."

(c) A Minister of Mines responsible to Parliament, and a National Mining Council. The Mining Council is to be a large body, a kind of Parliament of the industry, elected from each district on a basis of tonnage. The important part of it is to be a Standing Committee. "The Minister of Mines will be assisted by a Standing Committee of 18 members elected from and by the National Mining Council, who will meet regularly for the purpose of superintending the operations of the District Mining Councils . . . 6 shall represent the workers, 6 shall represent consumers, and 6 the technical and commercial side of the industry."

(3) The industry is to be financially autonomous. "The Treasury shall not be entitled to interfere with or have any control over the appropriation of moneys derived from the industry. The said moneys shall be kept entirely separate and apart from other national

moneys, until the profit accruing from the industry is periodically ascertained and paid into the Exchequer."

(4) What are usually described as "civil service methods" are to have no place in the new service. "It being of vital importance that the Mines Department shall be managed with the freedom of a private business, the present Civil Service system of selection and promotion by lengths of service, of grades of servants, of minuting operations and reports from one servant to another, and of salaries and pensions, shall not apply to the servants attached to the Mines Department."

(5) There shall be complete publicity. "The Minister of Mines shall cause the following statistics to be made public: —

(*a*) The quarterly financial returns from each district.
(*b* The output from each district.
(*c*) The number of persons employed above and below ground.
(*d*) The cost per ton of getting and distributing coal, showing proportion due to wages, material, management, interest, and profit.
(*e*) The amount of coal produced per man per shift.
(*f*) The amount of absenteeism.

VI. The Organization of the Industry under Public Ownership

Whether the acquisition of mines and minerals is financially a sound investment or not depends, in the first place, on the price paid for them. The capital value of the mines on the basis of 10*s*. per ton of average output for the five years 1909–13, which was 270 million tons, would be £135,000,000. This figure was suggested by Dr. Stamp, the Assistant Secretary to

the Board of Inland Revenue, and approximates to the £128,000,000 estimated for the Census of Production. If nine years' purchase of the average profits (£13,000,000) of the five years preceding the war be taken, a somewhat smaller figure, £117,000,000, is reached. Neither of these estimates includes the capital value of royalties, which was estimated by Sir Richard Redmayne at an equivalent, probably, to something less than either £70,000,000 or £55,570,250, according to the basis of valuation taken. When this further item is included, the sum to be paid would presumably be somewhere about £200,000,000.

The interest on £200,000,000 at 5 per cent would be £10,000,000, to which must be added something less than a quarter of a million as a sinking fund. Quite apart, therefore, from any economies due to unification, the state would retain a surplus consisting of the difference between (say) £10,250,000 and the figure of £19,000,000 which was the average total of profit and royalties together (profits £13,500,000, royalties £6,000,000) for the five years ending in 1913. Had it owned the mines in 1916, when profits and royalties amounted to £43,800,000, the surplus in that year would have been, not £8,000,000 odd, but £33,500,000. Clearly, pending the investigations of a financial commission, the figures for the future can only be at best approximate. *Prima facie*, however, the purchase of the mines appears to be, from the public point of view, a sound investment. Unless the compensation paid is inflated to a sum out of all proportion to the value of the properties acquired, the state, thanks to its superior credit, will retain a safe margin of profit on the transaction. And in addition, provided the administration is efficient, it will be in a position to reap the considerable economies which are promised by the experts as a

result of substituting a unified system of production and distribution for the "extravagance and waste" of individual ownership.

"Provided the administration is efficient." That, however, is the crux of the whole problem. It is not difficult to see how Mr. Justice Sankey intends that the machinery which he proposes shall work. The function of the National Mining Council would be to deal with the large questions of policy affecting the industry as a whole, for example, finance, the surveying of the coal fields and boring for coal, the total amount of coal to be produced, the organization of an economical and efficient system of distribution, prices and national wages questions, general regulations with regard to health and safety, and the allocation of a fund for housing in mining districts. The District Mining Councils would be responsible for meeting, in accordance with the special conditions of their respective districts, the demands made upon them by the National Mining Council, and for carrying out its general policy. They would carry on the routine administration of their own coal fields, would settle the most efficient way of getting coal in the special circumstances of their various localities, would be responsible for the equipment and output of mines in their areas, would determine where pumping or generating stations should be erected, would appoint managers, would see that each pit supplied the quota that could reasonably be demanded from it, would secure regularity of production, and would be a court of appeal to which questions from individual pits could be referred. The Pit Committees would not relieve the manager of his legal responsibility, which must remain as it is at present. But they would assist him in dealing with questions of discipline, of health and safety, and of output. They would suggest improvements in

methods of working and would point to sources of waste which could be removed. They would, in short, be the organ through which the views of the men in each particular mine found expression, and through which the workers took their share both in the effective discharge of their obligations to the community and in the control of the conditions upon which their own well-being depends.

The distributive side of the industry, which is at present in anarchy, would undergo a corresponding reorganization. The privately owned trucks (roughly 600,000) belonging to some thousand separate collieries and merchants, which are empty for half their lives and hamper the railways with needless shunting, would be pooled in the hands of a public service, and would, of course, be used indifferently for all collieries. Instead of household coal passing through the hands of three or more distributors before it reaches the consumer, the District Mining Councils would arrange to supply the local authorities in the area allotted them with their quota of coal, and the local authorities would distribute it direct to the household consumer. In view of the almost complete helplessness of the ordinary household consumer when confronted with a rise of price in the past, and of the well-known fact that collieries and distributors took advantage of every threatened dispute or cold snap to raise prices against him, there is something cynically comic in the suggestion that he has anything but an immense increase in influence and in power of self-protection to gain from public ownership, accompanied by a scheme of administration such as is suggested above.

This is the intention. What probability, however, is there that it will be realized ? The first rule of candid controversy should be to treat uncertainties as uncer-

tain; and it may be admitted at once that no one can *promise* any given result as the certain outcome of nationalization. Neither can he *promise* it from a continuance of private ownership, which appears, on a good deal of the evidence, to be running down. In the last 30 years, indeed, private ownership would appear to have changed its nature in certain important respects. The concentration of management in the hands of salaried officials, the development of a science of mining engineering, with the growth, also, of a professional spirit and outlook as its natural accompaniment, the rise of a strong Miners' Federation commanding more and more of the loyalty and allegiance of the rank and file and necessarily subtracting them from the owners, the creation of control during the war — all these changes have made "nationalization" and "private ownership" a less sharp antithesis than it was. Behind the formal shell of an outwardly static order, it is possible to discern the germs of a new system of relations. There is a sense, nevertheless, in which all large political and social changes are, and must be "a leap in the dark." Whether it is wise to leap or not cannot be formally demonstrated. It involves an act of judgment on numerous factors which are not susceptible of precise measurement. Among them is the security and comfort of the position hitherto occupied. When the earth is quaking or the roof crumbling, the rash man is not he who leaps but he who does not.

Those who propose a change as considerable as that recommended by Mr. Justice Sankey are under an obligation to show, however, that they have not ignored the dangers, but have estimated them coolly and made provision for avoiding them. The most general criticism brought against public services is that they tend to be overcentralized and top-heavy, to paralyze ini-

tiative and to conceal responsibility, to play for safety and to avoid risks, to hold their own, not by ability, but by the mere weight of obstructiveness, to offer mediocrity the protection of a system in which torpor is organized, and against the leaden inertia of which both the man of creative talent and the consuming public rage in vain. Some of these faults are the defects of all large-scale organizations, whether public or private: one must not expect from an elephant the agility of a flea, or from an army corps the mobility of a guerilla band. If, compared with the village carrier, a railway company and the post office have the defects of their qualities, they also have the qualities of their defects. On the other hand, there is enough truth in the indictment to make any person of caution think twice before increasing the scale of business organization, unless he can see his way to prevent the economies of unification being neutralized by the drawbacks of overcentralization. Both are normally real enough. The problem is to secure as many as possible of the former while admitting as few as possible of the latter. To put it concretely, the facts which faced Mr. Justice Sankey were (*a*) the admitted "waste and extravagance" of individual ownership; (*b*) the improbability that the friction between mine workers and owners, with all its resultant social and economic evils, would be terminated under the present system. His task was to devise an organization which would introduce a more economical system of production and distribution, which would cause the mine workers to throw their weight on the side of efficiency and progress, and which would secure these advantages without dissipating them by submitting the industry to the dangers of bureaucratic paralysis. The problem is, in fact, the familiar one of making a constitution. Mr. Justice Sankey had to draft its fundamentals.

His first solution was a familiar one. It was, in effect, federalism. The word is not used, of course, in any technical sense. But it suggests aptly the difference between nationalization as usually conceived in the past and nationalization as interpreted by Mr. Justice Sankey in terms of a definite constitution. The center of his whole program is the District Mining Council, which is to stand for decentralized administration within the framework of a national system. There is no question of "managing the industry from Whitehall." The characteristics of different coal fields vary so widely that a manager who is competent in one may be almost helpless in another, until he has learned how to deal with its peculiarities. There will be a division of functions and powers between the central authority and district authorities. The former will lay down general rules as to those matters which must necessarily be dealt with on a national basis. The latter will administer the industry within their own districts, and as long as they comply with those rules and supply their quota of coal, they will possess local autonomy and will follow the method of working the pits which they think best suited to local conditions. This plan is in accordance with existing mining practice. It corresponds to the organization of the workers, which has the coal field as its basis and bond of union. It is in line with the spirit and tradition of English local government.

In the second place, Mr. Justice Sankey's report laid considerable emphasis upon the need of avoiding in a nationalized coal industry some of the characteristics which have hitherto attached both to private industry and to state departments. On the one hand, there is to be complete publicity. On the other hand, the methods of the existing civil service in recruiting and promoting

the *personnel,* in departmental routine, in the relation of the departments to the Treasury, are not to be followed as a precedent. The first point is one which should need no emphasis. Publicity with regard to costs and profits is the indispensable foundation of all other reforms, whether individualist or socialist. The reference to the civil service raises were difficult problems. The habit which obtained in England nearly fifty years ago, and which is still perhaps not wholly dead in America, of speaking of a civil servant as a man who is a fool only because he is too incompetent to be a knave, may be dismissed with other common forms of controversy as beneath serious attention. Most observers would agree that the British civil service does the work entrusted to it with a zeal and efficiency not inferior — to put it mildly — to those shown in private industry. But that is only half the issue. The work for which it has hitherto been designed is not the administration of industry, and it is quite reasonable that doubts should be entertained of its efficiency in an unfamiliar field. Granted, however, that the existing services are recruited and trained for work of another kind, is there anything to prevent a new type of service being recruited to handle a new problem? On that point the most impressive evidence submitted to the Coal Industry Commission came from Lord Haldane, who, as Minister of War, had organized a great administrative service. What he said, in effect, was that the public could secure such a *personnel* and such an administrative system as it pleased, provided it would take the trouble to train the former to show the qualities of initiative and responsibility required for the conduct of industry, and to organize the latter in such a way as to give those qualities free play. If, he argued, *esprit de corps,* initiative, professional zeal, can be developed by training in a body of men who are

to become regimental officers, they can be developed equally among men who are to be in charge of collieries. In short, the character of a service is not a fixed quantity. Its *morale* may be high or low. Which it shall be is largely, tho no doubt not wholly, within human control. In the course of the last hundred years, British municipalities have been transformed from the corrupt oligarchies of 1820 to bodies which handle complex questions by means of a numerous, and on the whole, efficient and public-spirited personnel. It is arguable, at least, that, if the same result is desired in industry, the same result can be achieved.

These elements in Mr. Justice Sankey's scheme were intended to meet some of the conventional objections to the policy of public ownership. There was another feature in it, however, which, tho also intended to be a safeguard against bureaucracy, was in reality much more than that, and on the effect of which, indeed, the success of the whole policy to no small extent depends. Behind all the technical defects in the organization of the industry lies a fact of ethics or psychology or human nature, which in significance outweighs them all — the distrust, sharpening to dislike, which it arouses in the minds of a growing number of miners. Behind all proposals for nationalization lies one general question of quite capital importance — what is likely to be the attitude of the mine workers to the new order?

The criticisms of the industry as at present conducted which the Federation's witnesses laid before the Commission were almost unintelligible, it may be suspected, to many of those who heard or read them. That was not the fault of the witnesses, who spoke with admirable candor and lucidity. It was due to the fact that the assumptions from which they started were foreign to the ideas of most business men, and have only gradually

been becoming explicit in the minds of working people. To the former, it normally seems self-evident that the government of industry, involving direction of those working in it, should be vested in the hands of the owners of the capital. Whether the owner be a body of shareholders or (by some evil chance) the state, it is for him to give orders and for the workmen to carry them out. The latter are feeling their way to a view of industry under which "management" will no longer be the exclusive function of the property owner or his agents, and the line between "management" and "labor" will be redrawn. This was the meaning — to give one example — of the statement of the very level-headed and experienced secretary of the Northumberland Miner's Association, that what the mines are really demanding is not merely better conditions, but "freedom" and "responsibility." It would be a mistake to underestimate the significance of these phrases merely because they are vague; phrases not much more precise have made revolutions and are enshrined in famous constitutional documents. What they amount to is something in essence fairly simple. The mine workers — or a determining minority of them — feel that the administration of the industry by the agents of shareholders for the pecuniary gain of shareholders involves the control of their working lives by a comparatively small number of persons for ends and by means with regard to which they are not consulted. They believe that, in virtue of their practical experience, they can make important contributions to the program of their industry, and that these contributions are frequently not welcomed by the management today.

The practical outcome of this point of view was that while one section of opinion—that of the owners—was opposed to centralized and bureaucratic administration

on the ground that it was unfavorable to efficiency, another, that represented by the miners themselves, declared that it would not meet the workers' demand for a higher professional status and a share in the government of the industry. The demand of the Federation was that one-half the membership of the bodies controlling the industry should be chosen by itself. Mr. Justice Sankey proposed that the mine workers should nominate on the District and National Mining Councils one-third of the members, and 10 out of 13 members to the Pit Committees. The precise proportion in which different interests are to be represented is obviously a matter of degree. The significant point is Mr. Justice Sankey's recognition of the demand for a share in "control" as inherently reasonable, and indeed the inevitable result of social and educational changes. He gave it as one capital reason why mere unification, without public ownership, would not meet the situation: "A great change has come over the workers in the coal fields, and it is becoming increasingly difficult to carry on the industry on the old accustomed lines. The relationship between the masters and workers in most of the coal fields of the United Kingdom is, unfortunately, of such a character that it seems impossible to better it under the present system of ownership. Many of the workers think they are working for the capitalist, and a strike becomes a contest between labor and capital. This is much less likely to apply with the state as owner and there is fair reason to expect that the relationship between labor and the community will be an improvement upon the relationship between labor and capital in the coal fields. Half a century of education has produced in the workers in the coal fields far more than a desire for the material advantages of higher wages and shorter hours.

They have now, in many cases and to an ever-increasing extent, a higher ambition of taking their due share and interest in the direction of the industry to the success of which they, too, are contributing."

To some these words will seem absurd, to others prophetic; this is not the place to argue about ultimates. If, however, the machinery of Pit Committees, District Councils and National Mining Councils seem unduly elaborate, it may be pointed out that it must be read as in part an attempt to meet this new demand. It is complex, in fact, only as democracy is usually more complex than an absolute and centralized government. The individual workman will know that the authority responsible for administering the industry consists, in part, of men with the same experience as himself, and that he, by his own suggestions and criticisms, can improve the working conditions and efficiency of his own pit. The organization of which he is a member will no longer be concerned solely with resisting reductions or securing advances. It will form part of the government of the industry, and will thus be in a position to assume, as it cannot now, a professional responsibility for the quality of the service.

The advantages of increased safety, leisure, security of employment, health and comfort, are not the only benefits by which such a change in status will be accompanied. Nor is it only for the sake of the mine workers that such an organization is recommended. Those who advocate it would argue that it is at least as desirable for the sake of the consumer, on whom after all the burden of the present situation ultimately rests. "The truth is," they would say, "that as far as the coal industry is concerned the old régime is breaking down. The discipline upon which it relied to secure efficiency depended, in the last resort, upon the

ability of the management to enforce its will by the threat of dismissal, which meant in effect (tho it may be admitted with reluctance) by an appeal to hunger and fear. Whatever the ethical qualities of that order of relationships, it had at any rate one genuine merit. It worked. Today it is working no longer. It is working no longer because a generation of organization and education has destroyed the psychological foundations which made it possible. That fact may not be susceptible of statistical proof. But it is a fact nevertheless, and the course of wisdom is neither to praise it, nor to denounce it, but to recognize and act upon it. Productive efficiency is indispensable. If it can no longer be secured by one type of discipline, it must be secured by another. The alternative to the discipline imposed till recently with success by the owners is the discipline of professional pride and responsibility imposed by the workers on themselves. If the mine workers are strong enough to enforce negative and defensive restrictions, they must go further and undertake positive obligations. They must occupy the position of partners in a communal enterprise, and have the power needed to discharge the obligations which that position entails." If that interpretation of the present *impasse* contains any elements of truth, it is obviously of some importance. It is for each student of the problem to decide for himself whether it does.

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